

**Appendix 4C**  
*Quarterly report*  
*for entities admitted*  
*on the basis of commitments*

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

**SomnoMed Limited**

ABN

**35 003 255 221**

Quarter ended ("current quarter")

**30<sup>th</sup> September 2015**

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
1.1 Receipts from customers	10,032	10,032
1.2 Payments for		
(a) staff costs	(3,796)	(3,796)
(b) advertising and marketing	(436)	(436)
(c) research and development	(4)	(4)
(d) leased assets		
(e) other working capital	(5,612)	(5,612)
(f) business development	(42)	(42)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	(28)	(28)
1.7 Other income- net grants/R&D concessions		
<b>Net operating cash flows</b>	<b>130</b>	<b>130</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	<b>130</b>	<b>130</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(621)	(621)
(b) equity investment associate		
(c) intellectual property	(7)	(7)
(d) physical non-current assets	(355)	(355)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) net cash from a previous associate company now a controlled entity	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loan to associated entity	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(983)</b>	<b>(983)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(853)</b>	<b>(853)</b>
<b>Cash flows related to financing activities</b>		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings		
1.19 Dividends paid	-	-
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(853)</b>	<b>(853)</b>
1.21 Cash at beginning of quarter/year to date	<b>8,306</b>	<b>8,306</b>
1.22 Exchange rate adjustments to item 1.21	353	353
1.23 <b>Cash at end of quarter</b>	<b>7,806</b>	<b>7,806</b>

+ See chapter 19 for defined terms.

## **GROWTH ACCELERATION IN THE US LEADS TO NEW RECORD QUARTER**

An outstanding growth performance in US direct sales in Q1, 37.8% above the same quarter in the previous year and a new record of 6,888 devices sold, was the main accelerator which allowed SomnoMed to break another global quarterly sales record. The high growth in direct sales in the US and in other regions more than compensated for the drop in sales to licensees. As a result, global revenues grew in Q1 year on year by 30.1% to \$9.64 million (unaudited). Revenues generated from the sale of MAS devices grew by 32.0% to \$8.12 million (unaudited) and represented 83% of total revenues for the quarter.

During the quarter Europe performed solidly and in line with expectations growing by 18.3%, compared to Q1 last year, with 4,453 devices sold, whilst APAC/Japan posted sales of 1,498 units representing a growth of 13.5%. Total global sales for the first quarter were 12,846 units (+14.7%). The first quarter is usually subdued being the Northern summer quarter and the record sales growth was achieved despite US sales to licensees showing ongoing weakness in the traditional dental market.

Very pleasing results were achieved in Europe in the first quarter. Both July and August are holiday months affecting businesses in all EU countries. September sales were excellent, over 22% higher than in the previous year. Each of the Nordic countries (Sweden, Norway, Finland) generated first quarter growth of 40% or more above last year. Excellent growth was also recorded in Belgium (+37%), Italy (+36%), France (+27%), whilst new markets such as Spain and the UK showed good initial numbers. Holland and Germany were relatively quiet in July and August but Holland returned after the summer break to good growth in September.

Excellent growth in Q1 was generated in South Korea (+43%) and in Japan (+20%), whilst Australia posted a growth rate of 12.5% for the quarter which is in line with expectations.

“We are achieving excellent growth in our direct sales in the US. Over the last nine months we have seen the sales of devices produced by SomnoMed accelerate continuously. This comes as a direct result of our medical activities, the strengthening of our sales organisations and the success of our new products in the US. Q1 has set a new record growth rate for a quarter in the US, with 37.8% above the same quarter last year, which is very pleasing,” commented Dr. Peter Neustadt, Executive Chairman of SomnoMed.

“At the same time, sales to our licensees in the US and Canada who are dental laboratories making our products under our license and offering those to their dental customers are, as expected, declining. Sales to licensees in Q1 were down by 83% or over 1,000 units, underlining the diminishing role dental laboratories play and will play in the future in supplying devices to the general dental market. Patients are coming predominantly through the medical referral channel to dentists specialised in dental sleep medicine. We expect sales to licensees to pick up after the summer quarter and during the remainder of the financial year but expect, as advised previously, a continuation of the trend of declining North American licensee sales in 15/16 and beyond,” said Dr. Neustadt.

“Results achieved in Q1 and early indications for Q2 are reconfirming the guidance given for 2015/16,” said Dr. Neustadt.

The cash position at the end of September was \$7.8 million.

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+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	165
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments made during the quarter include directors' fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

## Reconciliation of cash

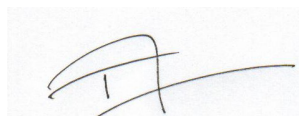
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	4,919	5,181
4.2 Deposits at call	2,887	3,125
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>7,806</b>	<b>8,306</b>

## Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	SMH Biomaterial AG (50%)	N/A
5.2 Place of incorporation or registration	Switzerland	
5.3 Consideration for acquisition or disposal	€340,000 in cash and 112,694 SomnoMed Limited shares	
5.4 Total net assets	€349,000	
5.5 Nature of business	Dental material supplier	

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
 (Company Secretary)

Date: 13<sup>th</sup> October 2015

Print name: T A Flitcroft

+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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